



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2009 Biennium

<b>Bill #</b>	HB0538	<b>Title:</b>	Home loan protection
<b>Primary Sponsor:</b>	Villa, Dan	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$8,465	\$49,020	\$19,905	\$20,403
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$14,400	\$32,380	\$32,470	\$32,562
<b>Net Impact-General Fund Balance</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### Description of Fiscal Impact:

This bill will create additional revenue and expenditures to the state special revenue fund utilized by the Division of Banking and Financial Institutions for its regulation of mortgage lenders. There will be no impact to the general fund.

### FISCAL ANALYSIS

#### Assumptions:

1. This fiscal note assumes that HB 69, requiring licensure of non depository mortgage lenders, will become law.
2. HB 538 will require training of four bank and credit union examiners. It is assumed that enrollment for this training will not be open to these examiners until FY 2009. The one-time training costs will be \$29,600 for four examiners in FY 2009. This training includes enrollment in three schools provided by the Federal Reserve Bank. The cost of this training includes examiner travel expenses and per diem.

3. Administrative rulemaking will require one public hearing and will generate five pages of rules. ARM publication costs will remain at \$50 per page. The cost for ARM publications will be \$250 (\$50 per page x 5 pages) in FY 2008. A court reporter will be needed for the public hearing on the administrative rules. Court reporter costs are \$45 per hour and \$5 per page for the written transcript. It is estimated that the cost of the court reporter will be \$295 (1 hour + 50 pages).
4. Three administrative hearings are projected per year and will begin in FY 2009. The hearings will require a court reporter for depositions. Court reporter costs will be \$260 per deposition. The cost of depositions in FY 2009 will be \$780 (3 depositions x \$260). There will be one investigation per year that will result in the need to use a hearing examiner. Hearing examiner costs will be \$70 per hour and will total 40 hours per case. The cost for a hearing examiner in FY 2009 will be \$2,800 (\$70 per hour x 40 hours per case). In accordance with Section 10 of this bill these investigative costs may be assessed against the mortgage lender.
5. Examinations of non depository mortgage lenders licensed under HB 69 will be expanded to include a review of compliance with the bill. It is expected that each examination will be extended one day to complete the compliance review. Extended examinations are projected at 2 days per examiner per month at a standard rate of \$300 per examiner per day. There will be four non-depository examiners. Extended examinations will begin January, 2008. Revenue from extended examinations will be \$14,400 in FY 2008 (12 days x \$300 per day x 4 examiners). Extended examinations will continue in FY 2009. Revenue from extended examinations will be \$28,800 in FY 2009 (24 days x \$300 per day x 4 examiners).
6. Extended examinations of non depository mortgage lenders licensed under HB 69 will increase operating expenses related to examiner travel in order to examine compliance with this bill. It is assumed that these non depository mortgage lenders are located outside of Montana. Travel expenses related to examiner per diem will be \$1,728 in FY 2008 (4 examiners x 12 days x \$36 per diem). Travel expenses related to examiner per diem will be \$3,456 in FY 2009 (4 examiners x 24 days x \$36 per diem). It is assumed that the average federal lodging rate among states where these non depository lenders are located will be \$129 per night. Travel expenses related to lodging will be \$6,192 in FY 2008 (4 examiners x 12 days x \$129 per night). Travel expenses related to lodging will be \$12,384 in FY 2009 (4 examiners x 24 days x \$129 per night).
7. Total revenue in FY 2009 will be comprised of recouping of costs in assumption #4 (\$780 + \$2,800 = \$3,580) and the costs indicated in assumption #5 (\$28,800) for a total of \$32,380.
8. An inflation factor of 2.5% has been applied to FY 2010 and FY 2011. Only those costs associated with assumption #4 inflated and shown as revenue. The other revenue is a straight \$300/examiner/day rate.

**Expenditures:**

Operating Expenses	\$8,465	\$49,020	\$19,905	\$20,403
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**Funding of Expenditures:**

General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$8,465	\$49,020	\$19,905	\$20,403

**Revenues:**

General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$14,400	\$32,380	\$32,470	\$32,562

**Net Impact to Fund Balance (Revenue minus Funding of Expenditures):**

General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$5,935	(\$16,640)	\$12,565	\$12,159

**Technical Notes:**

1. 32-1-211, MCA, allows the department to accept the results of an examination of a bank or trust company made by a regulatory or insuring agency of the United States. The Federal Deposit Insurance Corporation (FDIC) and Federal Reserve System conduct compliance examinations on a routine basis.
2. Credit unions are organized and operated for the benefit of its members. It is unlikely that credit unions would engage in mortgage transactions that are contemplated in the bill.
3. If HB 69 requiring licensure and regulation of non depository mortgage lenders is not passed, compliance with the bill will be assessed only by complaints to the department.

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*Sponsor's Initials*\_\_\_\_\_  
*Date*\_\_\_\_\_  
*Budget Director's Initials*\_\_\_\_\_  
*Date*